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Regulations to govern oil and gas operations...

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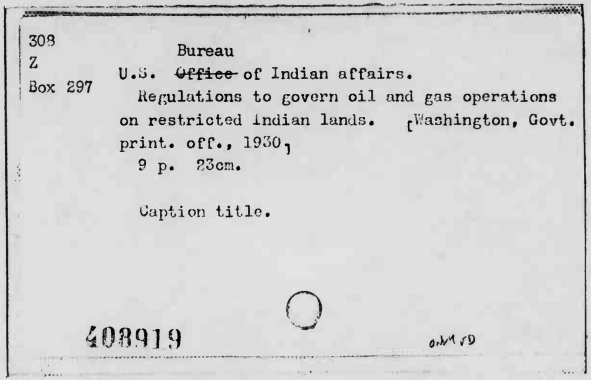

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# REGULATIONS TO GOVERN OIL AND GAS OPERATIONS ON RESTRICTED INDIAN LANDS

## DEFINITIONS

The following expressions, wherever used in the lease and regulations, shall have the meaning now designated, viz:

*Superintendent.*—The superintendent of any Indian agency in Oklahoma, or any other person who may be in charge of such agency and reservation, and it shall be his duty to enforce compliance with these regulations.

*Geological Survey Engineer.*—A representative of the Geological Survey, assigned to work on Indian lands, who acts as a technical advisor to the superintendent in matters pertaining to the development and operation of oil and gas properties.

*Inspector.*—Any person appointed as inspector of oil and gas operations, or who may be designated by the Secretary of the Interior or the Commissioner of Indian Affairs to supervise oil or gas operations on restricted Indian lands, acting under general instructions from the Geological Survey and under the supervision of the superintendent.

*Oil lessee.*—Any person, firm, or corporation to whom an oil-mining lease is made under these regulations.

*Gas lessee.*—Any person, firm, or corporation to whom a gas lease is made under these regulations.

*Leased lands.*—The term "leased lands" or "leased premises" or "leased tract" shall mean any restricted lands belonging to Indian allottees from which restrictions have not been removed and which have been leased by such allottees with the approval of the Secretary of the Interior.

## OPERATIONS

1. No operations shall be permitted upon any tract of land until a lease covering such tract shall have been approved by the Secretary of the Interior.

## POWERS AND DUTIES OF INSPECTOR

It shall be the duty of the inspector—

2. To visit from time to time leased lands where oil and gas mining operations are being conducted and to inspect and supervise such operations, with a view to preventing waste of oil and gas, damage to oil, gas, or water bearing formations, or to coal measures or other mineral-bearing deposits, or injury to property or life, in accordance with the provisions of these regulations.

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3. To make reports to the superintendent and to the Geological Survey as to the general conditions of the leases, property, and the manner in which operations are being conducted and his orders complied with.

4. To consult and advise with the superintendent as to the condition of the leased lands and to submit information and recommendations from time to time for safeguarding and protecting the property of the lessor and securing compliance with the provisions of these regulations.

5. To give such orders or notices as may be necessary to secure compliance with the regulations and to issue all necessary instructions or orders to lessees to stop or modify such methods or practices as may be contrary to the provisions of such regulations.

6. To modify or prohibit the use or continuance of any operation or method which may be causing or is likely to cause any surface or underground waste of oil or gas or injury to any oil, gas, water, coal, or other mineral formation, or which is dangerous to life or property or in violation of the provisions of these regulations.

7. To prescribe, subject to the approval of the superintendent, the manner and form in which all records or reports called for by these regulations shall be made by the lessee.

8. To prohibit the drilling of any well into any producing sand when, in his opinion and with the approval of the superintendent, the marketing facilities are inadequate or insufficient provision has been made for controlling, storing, or properly handling the flow of oil or gas reasonably to be expected therefrom, until such time as suitable provision can be made.

9. To prescribe or approve the methods of drilling wells through coal measures or other mineral deposits.

10. To determine when and under what conditions a producing well may be drilled deeper, and to determine whether and under what conditions a well or sand may be abandoned.

11. To require that tests shall be made to detect waste of oil or gas or the presence of water in a well, and to prescribe or approve the methods of conducting such tests.

12. To require that any condition existing before or subsequent to the completion of a well which may be causing, or is likely to cause, damage to an oil, gas, or water-bearing formation, or to coal measures, or other mineral deposits, or which is dangerous to life or property, be corrected as he may prescribe or approve.

13. To prescribe or approve the type and capacity of separators used to separate the oil, gas, or water coming from a well.

14. To determine the percentage of the potential capacity of any gas well which may be utilized when such action is necessary to properly protect the gas-producing formation. The inspector likewise will specify the time and method for determining the potential capacity of gas wells.

15. The superintendent shall be the sole judge of whether the regulations have been fully complied with and the inspector's orders carried out.

## DUTIES OF LESSEES

16. Before actual drilling or development operations are commenced on the leased lands, or within not less than 30 days from the



date of approval of these regulations in case of producing leases, or leased lands on which such operations have been commenced prior to such approval, the lessee or assignee shall appoint a local or resident representative within the State on whom the superintendent or other authorized representative of the Department of the Interior may serve notices or otherwise communicate with in securing compliance with these regulations, and shall notify the superintendent of the name and post-office address of the representative so appointed.

In the event of the incapacity or absence from the designated address of such local or resident representative the lessee shall appoint some person to serve in his stead, and in the absence of such representative from his designated address, or of notice of the appointment of a substitute, any employee of the lessee upon the leased premises or the contractor or other person in charge of drilling operations thereon shall be considered the representative of the lessee for the purpose of service of orders or notices as herein provided, and service upon any such employee, contractor, or other person shall be deemed service upon the lessee.

17. The lessee shall not begin to drill, redrill, deepen, plug, or abandon any well, or alter the casing in it, without first notifying the superintendent of his plan or intention and receiving written approval of the contemplated work. The notice of intention to drill or deepen a well shall specify: (*a*) The method to be used in drilling (such as cable or rotary tools; (*b*) the name of the sand (or formation), with an estimate of the depth, from which production is expected; (*c*) the sizes and weights of the casing to be used and an estimate of the depth at which each string of casing will be landed; (*d*) the provision to be made in addition to casing (such as cementing, formation shut-off, or mud fluid) to exclude water from the well and protect sands that are cased off.

18. The lessee shall keep on the leased premises or at his headquarters in the field accurate records of the drilling, redrilling, shooting, deepening, plugging, or abandoning of all wells, and all alterations to casing, the records to show all the formations drilled through and their content of oil, gas, or water, if any (and if water, its character), and the kinds, weights, length, and sizes of casing used in wells; and copies of such records shall be transmitted to the superintendent by the lessee on prescribed forms furnished by him within 15 days after the first completion of any well or after the completion of any further operations on it. The lessee shall also submit to the superintendent such other reports and records of operations as may be required in the manner and form prescribed by the superintendent.

19. Lessee shall furnish on the 1st day of January and the 1st day of July of each year a plat in manner and form as prescribed by the superintendent, showing the location and number of all wells, active or abandoned, on the leased lands, and other related information. Blank plats will be furnished upon application.

20. Lessee shall clearly and permanently mark all rigs or wells in a conspicuous place with the name of the lessee and the number or designation of the well and shall take all necessary precautions for the preservation of these markings.

21. Lessee shall not drill within 200 feet of the boundary line of leased land or locate any well or tank within 200 feet of any public highway or any building used as a dwelling, granary, barn, or established watering place, except with the written permission of the superintendent.

22. Lessee shall provide two properly prepared slush pits, into one of which he must deposit sand pumpings and other materials extracted from the well during the process of drilling, but such material as is suitable for the mudding of a well shall be run into the other pit. The construction of such pits shall be subject to the approval of the inspector. Sand pumpings and such materials shall not be allowed to run over the surface of the land.

23. Lessee shall effectually shut out and exclude all water from any oil or gas bearing stratum and use all precaution and measures necessary to prevent the contamination or pollution of any fresh-water supply encountered in any well drilled for oil or gas.

24. Lessee shall protect to the satisfaction of the inspector each productive oil or gas bearing formation drilled through for the purpose of producing oil or gas from a lower formation.

25. In drilling operations the lessee shall place on the innermost string of casing a suitable gate valve or other controlling device securely anchored and keep it in place and in proper condition for use until the well is completed, except when drilling to formations where it is known that high pressures do not exist.

26. When natural gas is encountered in commercial quantities in any well lessee shall confine such gas to its natural stratum until such time as it can be produced and utilized without waste, it being understood that a commercial quantity of gas produced by a well is any unrestricted flow of natural gas in excess of 2,000,000 cubic feet per 24 hours: *Provided*, That if, in the opinion of the superintendent, gas of a lesser quantity is of commercial value, the superintendent shall have authority to require the conservation of said gas. Water shall not be introduced into any well where such introduction will operate to kill or restrict the open flow of gas therein, except to bring a well under control when mud fluid is not available.

27. An oil and gas separator shall be installed at the surface when both oil and gas are produced together in commercial quantities from the same well. The separator shall be of a type and capacity such that it will properly separate the oil and gas.

28. Lessee shall not use natural gas from a distinct or separate stratum for the purpose of flowing or lifting the oil without written approval of the superintendent.

29. The lessee shall prevent any oil or gas well from blowing open and shall take immediate steps and exercise due diligence to bring under control any "wild" or burning oil or gas well.

30. The lessee shall prevent the waste of natural gas or its wasteful utilization. The use of gas in its natural state in engines, pumps, or similar equipment where its pressure is the direct operating force is prohibited unless the exhaust gas is conserved for use as fuel or unless special permission is obtained from the superintendent. Other conditions or methods which, in the opinion of the superintendent, are wasteful of natural gas but are not specifically mentioned will not be permitted.



31. Lessee shall not use natural gas in flambeau lights, save as authorized or approved by the inspector.

32. Lessee shall use every possible precaution, in accordance with the most approved methods, to stop and prevent the waste of gas and oil, or both, in all drilling and producing operations and from connecting lines, and he shall not wastefully utilize oil or gas.

33. No well drilled for oil or gas shall be abandoned, except in a manner approved by the superintendent and only where it can be demonstrated to the satisfaction of the superintendent that the well can not be operated at a commercial profit.

34. All dry or abandoned wells on leased lands must be plugged by confining all oil, gas, or water to the strata in which they occur by the use of mud fluid which weighs at least 25 per cent more than an equal volume of water, and in addition to mud fluid plugs of cement or other material may be used if prescribed or approved by the inspector. In plugging these wells the lessee must first thoroughly clean out the well to the bottom of the hole, and before the casing is removed from the hole the hole must be filled from the bottom to the top with mud fluid, if mud fluid alone is used. The mud fluid must be free from sand, lime cuttings, or other coarse material. Unless the inspector prescribes or approves some other method the mud fluid shall be introduced at the bottom of the hole by conducting it through a separate string of pipe or tubing within the casing. To prevent freezing this separate string of pipe or tubing may be raised as the hole is filled with mud fluid.

35. If such abandoned or dry well be in a coal bed or other mineral vein deposit or be in such condition as to warrant taking extra precautions, the inspector may require such variations in the above-prescribed methods of plugging and filling as may be necessary in his judgment to protect such seam or deposit against infiltration of gas or water and to protect all other strata encountered in the well.

36. The manner in which such mud-laden fluid, cement, or plugs shall be introduced into any well being plugged and the type of plugs so used shall be subject to the approval of the inspector.

In the event the lessee or operator shall fail to plug properly any dry or abandoned well in accordance with these regulations, the superintendent may, after five days' notice to the parties in interest, plug such well at the expense of the lessee or his surety.

37. All B. S. or water from tanks or wells shall be drained off into proper receptacles located at a safe distance from tanks, wells, or buildings, to the end that same may be disposed of by being burned or transported from the premises.

B. S. and salt water from tanks and wells shall not be allowed to pollute streams or damage the surface of the leased lands or adjoining property. In cases where the B. S. can not be treated successfully or burned, and the volume of salt water is too great for disposal by seepage and evaporation, the lessee should consult with the superintendent regarding its disposal and dispose of it under some approved method.

38. Lessee shall make a full and complete report to the superintendent of all accidents or fires occurring on the leased premises within 15 days after the occurrence of the accident or fire.

39. Lessee shall provide approved tankage of suitable shape for accurate measurement, into which all production of crude oil from the wells shall be run, and shall furnish the superintendent copies of accurate tank tables and all run tickets as and when requested. The lessee shall not, except during an emergency or by special permission of the superintendent, permit oil to be stored or retained in earthen reservoirs or in any other receptacles in which there may be undue waste of oil by seepage or evaporation.

40. The superintendent may make arrangements with the purchasers of oil for the payment of the royalty, but such arrangements, if made, shall not relieve the lessee from responsibility for the payment of the royalty should such purchaser fail, neglect, or refuse to pay the royalty when it becomes due: *Provided*, That no oil shall be run to any purchaser or delivered to the pipe line or other carrier for shipment or otherwise conveyed or removed from the leased premises until a division order is executed, filed, and approved by the superintendent, showing that the lessee has a regularly approved lease in effect and the conditions under which the oil may be run. Lessees shall be required to pay for all oil or gas used off the leased premises for operating purposes; affidavits shall be made as to the production used for such purposes and royalty paid in the usual manner. The lessee or his representatives shall be present when oil is taken from the leased premises under any division order and will be responsible for the correct measurement thereof, and shall report all oil so run.

The lessee shall also authorize the pipe-line company or the purchaser of oil to furnish the superintendent with a monthy statement, not later than the 10th day of the following calendar month, of the gross barrels run as common-carrier shipment or purchased from his lease or leases.

41. Lessee will not be permitted to use any timber from any lands except under written agreement with the owner, and in all cases where lands are restricted such agreement shall be subject to the approval of the superintendent or inspector. Lessee shall, when requested by the superintendent, furnish a statement under oath as to whether the rig timbers were purchased on the leased tract; and, if so, state the name of the person from whom purchased and give such other information regarding the procurement of timber as the superintendent may desire.

42. Unless otherwise provided in the lease, lessee shall pay to the superintendent for the parties in interest all damage done to crops, buildings, and other improvements of lessor occasioned by lessee's operations and shall bury all pipe lines below plow depth if demanded by the lessor. When such damage can not be agreed upon, any of the parties may notify the superintendent, whereupon the superintendent shall notify the parties in interest that if such claims can not be arbitrated satisfactorily he will, after 10 days from date of notice, investigate the matter of damage; such notice to be sent the lessee, allottee, or his heirs, and such other person as may have informed the superintendent in writing of a claim to an interest in such lands. The superintendent shall thereupon determine the damage and apportionment thereof between the parties in interest, such determination to be final unless an appeal therefrom be taken to



the Secretary of the Interior within 10 days from the date of notice of such determination. The decision of the Secretary of the Interior shall be final and conclusive upon all parties concerned. The lessee shall be permitted to proceed with operations pending determination of the amount of damage by the superintendent upon depositing with the superintendent such amount as he may stipulate as sufficient to cover the damages claimed; and such lessee may continue with operations pending appeal upon depositing such additional amount, if any, as may be sufficient to cover the damages as fixed and apportioned by the superintendent, the surplus, if any, to be returned to the lessee. Pending action upon the appeal so much of said amount as is not in dispute by the parties in interest may be disbursed.

43. Failure to comply with any provision of these regulations shall subject the lease to cancellation by the Secretary of the Interior or the lessee to a fine of not more than $500 per day for each and every day the terms of the lease or of the regulations are violated, or the orders of the superintendent pertaining thereto are not complied with, or to both such fine and cancellation, in the discretion of the Secretary of the Interior: *Provided*, That the lessee shall be entitled to notice and hearing with respect to the terms of the lease or of the regulations violated, which hearing shall be held by the superintendent, whose finding shall be conclusive unless an appeal be taken to the Secretary of the Interior within 30 days after notice of the superintendent's decision, and the decision of the Secretary of the Interior upon appeal shall be conclusive.

44. These regulations shall become effective and in full force from and after the date of approval and shall be subject to change or alteration at any time by the Secretary of the Interior.

(Signed) CHAS. H. BURKE,
*Commissioner of Indian Affairs.*

Approved: July 7, 1925.

(Sgd.) JOHN H. EDWARDS,
*Assistant Secretary.*

## AMENDMENT OF SECTION 43 OF THE REGULATIONS TO GOVERN OIL AND GAS OPERATIONS ON RESTRICTED INDIAN LANDS, APPROVED JULY 7, 1925

43. Failure to comply with any provision of the operating regulations or to pay any fine assessed thereunder shall subject the lease to cancellation by the Secretary of the Interior; and in case of repeated violations of the regulations or disregard of notice from the superintendent or other official in charge pertaining thereto, the lease shall be subject to cancellation and the lessee held liable for the payment of any fines assessed under the regulations, in the discretion of the Secretary of the Interior: *Provided*, That the lessee shall be entitled to notice and hearing with respect to the terms of the lease or of the regulations violated, which hearing shall be held by the superintendent, whose finding shall be conclusive unless an appeal be taken to the Secretary of the Interior within 30 days after notice of the superintendent's decision, and the decision of the Secretary of the Interior upon appeal shall be conclusive.

### FINES WHICH MAY BE IMPOSED FOR VIOLATION OF CERTAIN SECTIONS OF REGULATIONS TO GOVERN OIL AND GAS OPERATIONS ON RESTRICTED INDIAN LANDS, APPROVED JULY 7, 1925

A. For failure to file preliminary notice of intention to drill as provided for in section 17, $10 for first violation and $20 for each violation thereafter.

B. For failure to notify the superintendent or other official in charge of a reservation and to secure approval before redrilling, deepening, plugging, or abandoning any well as provided for in section 17, $100 for the first violation and $200 for each subsequent violation.

C. For failure to file completion reports as required by section 18, which provides that completion records shall be transmitted to the department by the lessee on prescribed forms within 15 days after the first completion of any well or after the completion of any further operations on it, $50 for first violation and $100 for each subsequent violation.

D. For failure to mark rigs or wells as provided for in section 20, $20 for each well or rig and after written notification $10 for each week for each well or rig.

E. For failure to construct and properly maintain slush pits as prescribed by section 22, $10 for each day after drilling is commenced on any well.

F. For failure to comply with section 25 concerning the use of gate valve or other control device on innermost string of casing, $100 for each well; and after 10 days' written notice an additional fine of $200 may be assessed and thereafter an additional sum of $200 for each 20 days until the condition is remedied.

G. For failure to comply with section 28 relating to the use of





natural gas from a distinct or separate stratum within a well for flowing or lifting oil, $200 per day.

H. For failure to comply with section 30 regarding wasteful utilization of natural gas, use of gas in its natural state in engines, pumps, etc., where pressure is the direct operating force, $10 per day for first violation and $20 per day for each violation thereafter.

I. For failure to comply with the terms of section 31 relating to the use of natural gas in flambeau lights, $50 for each light and $10 per day for each day flambeau lights continue to burn after five days' written notice.

J. For failure to comply with section 37, which provides for the construction and maintenance of sump holes or burning pits for the disposal of B. S., salt water, and emulsion within 10 days after notification by authorized representative of the department, $25 to $50 per day.

K. Payment of the above fines in any case shall not relieve the operator from compliance with the provisions of the operating regulations.

DEPARTMENT OF THE INTERIOR,
OFFICE OF INDIAN AFFAIRS,
*October 4, 1927.*

Respectfully submitted to the Secretary of the Interior recommending approval.

CHAS. H. BURKE,
*Commissioner of Indian Affairs.*

Approved: October 14, 1927.

JOHN H. EDWARDS,
*Assistant Secretary of the Interior.*

U. S. GOVERNMENT PRINTING OFFICE: 1930

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